

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

OVERLAND STORAGE, INC.,

Plaintiff,

vs.

SPECTRA LOGIC CORPORATION,

Defendant.

OVERLAND STORAGE, INC.,

Plaintiff,

vs.

PIVOTSTOR, LLC,

Defendant.

OVERLAND STORAGE, INC.,

Plaintiff,

vs.

QUALSTAR CORPORATION,

Defendant.

CASE NOS. 12-CV-1597 JLS (BLM),  
12-CV-1598 JLS (BLM),  
12-CV-1605 JLS (BLM)

**ORDER GRANTING IN PART  
AND DENYING IN  
PART MOTIONS FOR  
DISCRETIONARY STAY**

(12-CV-1597, ECF No. 13)  
(12-CV-1598, ECF No. 13)  
(12-CV-1605, ECF No. 25)

1 Presently before the Court are three motions filed by Defendants in three related patent  
 2 infringement cases brought by Plaintiff Overland Storage, Inc. (12-CV-1597, ECF No. 13; 12-CV-  
 3 1598, ECF No. 13; 12-CV-1605, ECF No. 25.) Defendants in all three cases seek to stay litigation  
 4 pending the determination of *In re Certain Automated Media Library Devices*, International Trade  
 5 Commission Investigation (“ITC”) No. 337-TA-746 (“Investigation No. 337”). Also before the Court  
 6 are the parties’ oppositions and replies. (12-CV-1597, ECF Nos. 19-20; 12-CV-1598, ECF Nos. 19-  
 7 20; 12-CV-1605, ECF Nos. 27-28.)

8 For the reasons stated below, the Court **GRANTS IN PART AND DENIES IN PART**  
 9 Defendants’ motions for a discretionary stay. The Court **GRANTS IN PART** Defendants’ motions  
 10 to stay the case until March 25, 2013, or a Final Determination from the ITC in Investigation  
 11 Number 337, whichever comes first, and **DENIES IN PART** Defendants’ motions to stay the case  
 12 during the duration of any appeals of the Final Determination from the ITC.

13 **BACKGROUND**

14 Presently before the Court are six related cases, all involving patent infringement claims  
 15 brought by Plaintiff Overland Storage, Inc. (“Overland”) against various Defendants. In the lead case,  
 16 *Overland Storage, Inc. v. BDTAG (Germany) et al*, Case No. 10-CV-1700 (“lead case” or “1700”),  
 17 Overland brought claims against Defendants BDT AG, BDT Products, Inc., BDT-Solutions GmbH  
 18 & Co. KG, BDT Automation Technology (Zhufai FTZ) Co., Ltd., BDT de México, S. de R.L. de C.V.,  
 19 Dell Inc., and International Business Machines Corp. (collectively, “BDT Defendants”) for directly  
 20 and indirectly infringing two of its patents: (1) U.S. Patent Number 6,328,766 (“the ’766 patent”); and  
 21 (2) U.S. Patent Number 6,353,581 (“the ’581 patent”). (1700, ECF No. 14.)

22 On October 20, 2010, Overland filed a complaint with the ITC on the ’766 patent seeking to  
 23 enjoin the importation of BDT Defendants’ products. (1700, ECF No. 21-1 Exh. A.) BDT Defendants  
 24 then filed an *ex parte motion* with this Court to stay litigation pursuant to 28 U.S.C. § 1659(a). (1700,  
 25 ECF No. 21.) On December 8, 2010, the Court issued an Order granting BDT Defendants’ *ex parte*  
 26 motion to stay. (1700, ECF No. 29.)

27 In five later cases, all filed on June 28, 2012, Overland also separately sued Spectra Logic  
 28

1 Corporation (“Spectra Logic”),<sup>1</sup> Nickel Technologies, Inc. dba Pivotstor (erroneously sued as  
2 PivotStor LLC) (“Pivotstor”),<sup>2</sup> Quantum Corporation together with Venture Corporation Limited  
3 (collectively, “Quantum”),<sup>3</sup> Tandberg Data GMBH together with Tandberg Data Corporation  
4 (collectively, “Tandberg”),<sup>4</sup> and Qualstar Corporation (“Qualstar”).<sup>5</sup> In the cases against Spectra  
5 Logic, Pivotstor, and Quantum, Overland asserted infringement claims based on both the ’766 and  
6 ’581 patents. In the cases against Tandberg and Qualstar, Overland asserted infringement claims  
7 based only on the ’766 patent.

8 There is at least some business relationship between Defendants and the BDT Defendants.  
9 BDT is the original equipment manufacturer (“OEM”) for Spectra Logic, and Overland has previously  
10 attempted to take discovery of Spectra Logic as a third-party in connection with the ITC proceeding.  
11 (1597, ECF No. 13-1 at 3.) BDT is also the OEM for PivotStor, and several of its accused devices are  
12 Pivotstor branded versions of BDT’s accused products in the 1700 action and its related ITC  
13 investigation. (1598, ECF No. 13-1 at 3.)

14 Defendants Spectra Logic, Pivotstor, and Qualstar (collectively, “Defendants”) have now  
15 separately moved to stay litigation pending the final determination of the ITC proceeding between  
16 Overland and BDT Defendants, *In re Certain Automated Media Library Devices*, ITC Investigation  
17 No. 337-TA-746.

## LEGAL STANDARDS

19 At the request of a party to a civil action that is also a respondent in proceedings before  
20 the ITC under section 337 of the Tariff Act of 1930, “the district court shall stay, until the  
21 determination of the [ITC] becomes final, proceedings in the civil action with respect to any claim that  
22 involves the same issues involved in the proceeding before the [ITC].” 28 U.S.C. § 1659(a). The  
23 request for stay must be made within thirty days after the party is named in the proceeding before the

<sup>1</sup>*Overland Storage, Inc. v. Spectra Logic Corporation*, 12-CV-1597 JLS (BLM).

<sup>2</sup>*Overland Storage, Inc. v. Pivotstor, LLC*, 12-CV-1598 JLS (BLM).

<sup>3</sup>*Overland Storage, Inc. v. Quantum Corporation et al.*, 12-CV-1599 JLS (BLM).

<sup>4</sup>*Overland Storage, Inc. v. Tandberg Data GMBH et al.*, 12-CV-1604 JLS (BLM).

<sup>5</sup>*Overland Storage, Inc. v. Qualstar Corporation*, 12-CV-1605 JLS (BJM)

1 ITC or thirty days after the district court action is filed, whichever is later. 28 U.S.C.  
 2 § 1659(a)(1)–(2). “The purpose of § 1659(a) [is] to prevent infringement proceedings from occurring  
 3 ‘in two forums at the same time.’” *In re Princo Corp.*, 486 F.3d 1365, 1368 (Fed. Cir. 2007).

4 “District courts have inherent authority to stay proceedings before them.” *Rohan ex rel. Gates*  
 5 *v. Woodford*, 334 F.3d 803, 817 (9th Cir. 2003). “[T]he power to stay proceedings is incidental to the  
 6 power inherent in every court to control the disposition of the causes on its docket with economy of  
 7 time and effort for itself, for counsel, and for litigants.” *Landis v. North Am. Co.*, 299 U.S. 248, 254  
 8 (1936). In determining whether to stay an action, courts must weigh competing interests that will be  
 9 affected by the granting or refusal to grant a stay. *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir.  
 10 1962). “Among these competing interests are the possible damage which may result from the granting  
 11 of a stay, the hardship or inequity which a party may suffer in being required to go forward, and the  
 12 orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and  
 13 questions of law which could be expected to result from a stay.” *Id.* (citing *Landis*, 299 U.S. at 254-  
 14 55).

15 “The proponent of a stay bears the burden of establishing its need.” *Clinton v. Jones*, 520 U.S.  
 16 681, 708 (1997) (citing *Landis*, 299 U.S. at 255.) “If there is even a fair possibility that the stay for  
 17 which [the movant] prays for will work damage to someone else,” the movant “must make out a clear  
 18 case of hardship or inequity in being required to go forward.” *CMAX*, 300 F.2d at 268 (quoting  
 19 *Landis*, 299 U.S. at 255).

20 Subject to these standards, “[a] trial court may, with propriety, find it is efficient for its own  
 21 docket and the fairest course for the parties to enter a stay of an action before it, pending resolution  
 22 of independent proceedings which bear upon the case.” *Leyva v. Certified Grocers of California,*  
 23 *LTD.*, 593 F.2d 857, 863 (9th Cir. 1979). “This rule applies whether the separate proceedings are  
 24 judicial, administrative, or arbitral in character, and does not require that the issues in such  
 25 proceedings are necessarily controlling of the action before the court.” *Id.* at 863-64. However, the  
 26 Federal Circuit recognizes the existence of a “strong public policy favoring expeditious resolutions  
 27 of litigation.” *Kahn v. General Motors Corp.*, 889 F.2d 1078, 1080 (Fed. Cir. 1989).

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## ANALYSIS

## 1. Applicable Standard for Discretionary Stay

All parties agree that an automatic stay pursuant to 28 U.S.C. § 1659(a) does not apply to Defendants, as they are not respondents in the ITC proceedings. However, there is some dispute as to the applicable legal standard governing a discretionary stay pending an ITC investigation.

Defendants, citing *In re Cygnus Telecommunications Tech., LLC*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005), assert that the Court should consider three factors: (1) whether discovery is complete and a trial date has been set; (2) whether a stay will simplify the issues; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. (1597, ECF No. 13-1 at 4; 1598, ECF No. 13-1 at 3, 1605, ECF No. 25-1 at 4.) Overland disagrees, arguing that the *Cygnus* factors address “the appropriateness of a stay pending reexamination” and not a stay pending an ITC investigation involving separate parties. Overland argues that the Court should instead consider the *Landis* factors: (1) the possible damage which may result from the granting of a stay; (2) the hardship or inequity which a party may suffer in being required to go forward; and (3) the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay. (1597, ECF No. 19 at 6; 1598, ECF No. 19 at 6; 1605, ECF No. 27 at 8.)

As a preliminary matter, the Court finds that the *Cygnus* factors, although helpful in determining the competing interests to be weighed for a discretionary stay, are not wholly dispositive. Several district courts within the Ninth Circuit have applied the *Landis* factors to determine the appropriateness of a stay pending an ITC investigation. Only one court, in an unreported opinion from the Eastern District of Texas, has applied the *Cygnus* factors in the context of a parallel ITC investigation. *Saxon Innovations, LLC v. Palm, Inc.*, No. 09-cv-272, 2009 WL 3755041 (E.D. Tex. Nov. 4, 2009).<sup>6</sup>

However, this does not mean that the *Cygnus* factors are completely inapplicable. As indicated by Defendant Qualstar in its reply, there is at least some overlap between the *Cygnus* and *Landis*

<sup>6</sup>Furthermore, that court expressly states the factors are considered “[i]n deciding whether to stay litigation *pending reexamination*,” and not an ITC investigation. *Saxon Innovations, LLC*, No. 09-cv-272, 2009 WL 3755041 at \*2 (E.D. Tex. Nov. 4, 2009) (emphasis added).

1 factors. (1605, ECF No. 28 at 2.) Therefore, the Court considers the *Cygnus* factors and Defendants' 2 related arguments to the extent that they are applicable to the Court's analysis of the *Landis* factors. 3 With these principles in mind, the Court considers the *Landis* factors as they relate to this case.

4 **2. Possible Damage Resulting from a Stay**

5 Here, Defendants request an order staying the instant litigation until the determination in ITC 6 Investigation No. 337-TA-746 becomes final, including any appeals. According to the ITC's latest 7 order remanding issues to the Chief Administrative Law Judge ("ALJ"), the target date for a Final 8 Determination from the ITC is March 25, 2013, after which appeals can be taken. (ITC Order, ECF 9 No. 27-3 Exh. B.) Assuming that the ITC investigation is appealed to the Court of Appeals for the 10 Federal Circuit, such a stay may at least a year, and potentially longer.

11 In opposing Defendants' motions, Overland argues that a stay would cause substantial and 12 irreparable harm by allowing Defendants, its direct competitors, to continue infringing Overland's 13 patents. (1597, ECF No. 19 at 7-9; 1598, ECF No. 19 at 7-8; 1605, ECF No. 27 at 9-12.) Specifically, 14 Overland argues that a stay would cause: (1) delay of claim resolution; (2) delay of any injunctive 15 relief; and (3) the possible loss of testimonial and documentary evidence. (*Id.*)

16 **A. Potential delay**

17 The Court finds that Overland's arguments are contradicted, at least in part, by its own actions. 18 There is evidence that Overland has itself delayed in pursuing its claims against some or all of the 19 Defendants despite knowing of their infringing activities for at least one year. Further, despite their 20 stated intent to the contrary, Overland has yet to request preliminary injunctive relief from the Court 21 although the actions have been pending for over five months. As discussed by Defendants, it is also 22 questionable whether Overland would be successful in obtaining such injunctive relief.

23 To obtain a preliminary or permanent injunction, the plaintiff must establish "irreparable harm. 24 *See, e.g., Winter v. NRDC, Inc.*, 555 U.S. 7, 20 (2008) ("A plaintiff seeking a preliminary injunction 25 must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in 26 the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction 27 is in the public interest."); *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) ("A plaintiff 28 [seeking a permanent injunction] must demonstrate: (1) that it has suffered an irreparable injury; (2)

1 that remedies available at law, such as monetary damages, are inadequate to compensate for that  
 2 injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy  
 3 in equity is warranted; and (4) that the public interest would not be disserved by a permanent  
 4 injunction.”). Here, Overland has licensed the patents-in-suit to a competitor, IBM. Therefore, there  
 5 is at least some indication that money damages would be adequate to remedy any harm to Overland.  
 6 *See Advanced Cardiovascular Sys. v. Medtronic Vascular*, 579 F. Supp. 2d 554, 560 (D. Del. 2008).  
 7 Accordingly, this factor does not weigh strongly against the grant of a discretionary stay.

8 **B. Possible loss of evidence**

9 Delaying a trial increases “the danger of prejudice resulting from the loss of evidence,  
 10 including the inability of witnesses to recall specific facts.” *Clinton*, 520 U.S. at 708. Therefore, this  
 11 danger is inherent in any stay and must be considered by the Court. Here, Plaintiff argues that a  
 12 potential stay of two or more years may result in the loss of testimonial and documentary evidence.  
 13 Because the Court is granting a discretionary stay until March 25, 2013, rather than the conclusion  
 14 of any appeal of the ITC Final Determination, the Court finds that this factor does not weigh strongly  
 15 against the grant of a discretionary stay.

16 **3. Possible Hardship to Defendant Resulting from Going Forward**

17 Defendants argue that a stay is necessary to avoid potential prejudice from parallel proceedings  
 18 and inconsistent rulings. Specifically, Defendants argue that allowing this case to proceed would  
 19 forgo efficiencies and risk inconsistent rulings as to claim construction, priority date, and invalidity.  
 20 (1605, ECF No. 25-1 at 7.)

21 As noted by Overland, “being required to defend a suit does not constitute a clear case of  
 22 hardship or inequity within the meaning of *Landis*.” *Lockyer v. Mirant Corp.*, 398 F.3d 1098, 1112  
 23 (9th Cir. 2005). Overland argues that Defendants have therefore not met their “extraordinary burden  
 24 of proof required for a discretionary stay.” (1597, ECF No. 19 at 6-7; 1598, ECF No. 19 at 5-6; 1605,  
 25 ECF No. 27 at 7-8.)

26 Although Overland asserts that Defendants bear an “extraordinary” burden of proof for a  
 27 discretionary stay, Defendants are only required to “make out a clear case of hardship” if there is a  
 28 “fair possibility that the stay . . . will work damage to someone else.” *CMAX*, 300 F.2d at 268. As

1 discussed above, the Court finds that Overland's contentions of irreparable harm and prejudice are  
 2 questionable, especially where the Court has abbreviated the duration of the stay to less than four  
 3 months. Therefore, while it is true that Defendants have failed to make a strong showing of possible  
 4 hardship from going forward, this factor neither supports nor undermines the case for granting a  
 5 discretionary stay.

6 **4. The “Orderly Course of Justice”**

7 Finally, the Court considers “the orderly course of justice measured in terms of the simplifying  
 8 or complicating of issues, proof, and questions of law which could be expected from a stay.” *Cmax*,  
 9 300 F.2d at 268 (citing *Landis*, 299 U.S. at 254-55). The Court finds that this factor supports a stay  
 10 because the ITC’s investigation will simplify the issues to be decided by the Court in this litigation.

11 Here, the ITC’s latest order remands the investigation to the Chief ALJ for the specific purpose  
 12 to “make findings regarding invalidity . . . and to issue a final initial remand determination on  
 13 invalidity of the asserted claims of the ’766 patent.” (ITC Order, ECF No. 27-3 Exh. B. at 2.) ITC  
 14 determinations, as Overland argues, are not binding on the Court. *Tex. Instruments, Inc. v. Cypress*  
 15 *Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (“[W]e have stated that Congress did not  
 16 intend decisions of the ITC on patent issues to have preclusive effect.”). However, “[t]he district court  
 17 can attribute whatever persuasive value to the prior ITC decision that it considers justified.” *Id.*  
 18 Because the validity of the ’766 patent is highly relevant to the cases at hand,<sup>7</sup> the Court finds that a  
 19 discretionary stay would promote “the orderly course of justice.”

20 **CONCLUSION**

21 Upon weighing the competing interests that will be affected by the granting or refusal of the  
 22 stay, the Court finds that the grant of a discretionary stay will promote the dual interests of efficiency  
 23 and fairness. For the reasons set forth herein, the Court **GRANTS IN PART AND DENIES IN**  
 24 **PART** Defendants’ motions for a discretionary stay. The Court **GRANTS IN PART** Defendants’  
 25 motions to stay the case until March 25, 2013, or a Final Determination from the ITC in  
 26 Investigation Number 337, whichever comes first, and **DENIES IN PART** Defendants’ motions

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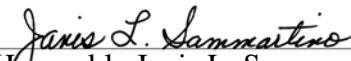
27  
 28 <sup>7</sup>This is especially true as to Defendant Qualstar, as the ’766 patent is the only patent Overland  
 has asserted against it. (1605, ECF No. 1 ¶ 1.) Therefore, invalidity of the ’766 patent would preclude  
 the action in its entirety.

1 to stay the case during the duration of any appeals of the Final Determination from the ITC.  
2 Accordingly, the Court **DIRECTS** the clerk to stay these cases pending ITC Investigation No. 337.

3       Upon a Final Determination from the ITC, the Court **SHALL DETERMINE** whether the  
4 discretionary stay should be lifted or continued. The Court further **ORDERS** the parties to submit  
5 to the Court a motion to lift the stay in this matter within seven days of March 25, 2013 or a Final  
6 Determination from the ITC in Investigation No. 337, whichever comes earlier.

7       **IT IS SO ORDERED.**

8  
9 DATED: December 11, 2012

10         
11       Honorable Janis L. Sammartino  
12       United States District Judge

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